
COSCO SHIPPING Lines Nordic A/S

Birkerød Kongevej 150 A, DK-3460 Birkerød

Annual Report for 1 January - 31 December 2018

CVR No 10 70 25 77

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2019

Morten Struve
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Group Chart	6
Financial Highlights	7
Management's Review	9
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Cash Flow Statement 1 January - 31 December	14
Notes to the Financial Statements	15

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of COSCO SHIPPING Lines Nordic A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Birkerød, 29 May 2019

Executive Board

Jan Timmermann

Shiwu Zhou

Board of Directors

Tian Dong
Chairman

Zaikun Tian

Wang Han

Dong Wang

Erik Lund Eriksen

Shiwu Zhou

Jan Timmermann

Independent Auditor's Report

To the Shareholders of COSCO SHIPPING Lines Nordic A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of COSCO SHIPPING Lines Nordic A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial

Independent Auditor's Report

Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Madsen
State Authorised Public Accountant
mne10745

Mark Philip Beer
State Authorised Public Accountant
mne29472

Company Information

The Company

COSCO SHIPPING Lines Nordic A/S
Birkerød Kongevej 150 A
DK-3460 Birkerød

Telephone: + 45 45 16 01 60

CVR No: 10 70 25 77

Financial period: 1 January - 31 December

Financial year: 32nd financial year

Municipality of reg. office: Rudersdal

Board of Directors

Tian Dong, Chairman
Zaikun Tian
Wang Han
Dong Wang
Erik Lund Eriksen
Shiwu Zhou
Jan Timmermann

Executive Board

Jan Timmermann
Shiwu Zhou

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Galst Advokataktieselskab
Gammel Strand 44
1202 København K

Bankers

Jyske Bank
Strandvejen 104 A
DK- 2900 Hellerup

Group Chart

Parent Company

COSCO SHIPPING Lines
Nordic A/S
Birkerød Kongevej 150
DK-3460 Birkerød, Denmark
Nom. DKK 1,000k

Consolidated subsidiaries

100% COSCO SHIPPING Lines
Denmark A/S,
Birkerød, Denmark
Nom. DKK 500k

100% COSCO SHIPPING Lines
(Sweden) AB,
Göteborg, Sweden
Nom. SEK 750k

100% COSCO SHIPPING Lines
(Norway),
Oslo, Norway
Nom. NOK 400k
Branch

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	84.773	110.823	96.933	95.605	87.985
Gross profit/loss	32.095	45.460	45.133	47.100	46.452
Operating profit/loss	2.414	8.544	13.245	17.981	18.413
Profit/loss before financial income and expenses	2.412	8.507	13.245	17.981	18.413
Net financials	712	-880	-1.141	119	271
Net profit/loss for the year	2.289	5.772	9.252	13.741	13.831
Balance sheet					
Balance sheet total	84.143	68.831	77.079	92.600	96.551
Equity	20.093	25.484	30.246	37.181	34.740
Cash flows					
Cash flows from:					
- operating activities	8.955	13.909	19.279	5.908	1.449
- investing activities	189	-168	-87	-135	238
including investment in property, plant and equipment	0	-285	-67	-200	-75
- financing activities	-18.192	-9.527	-36.659	-13.865	8.489
Change in cash and cash equivalents for the year	-9.048	4.213	-17.467	-8.092	10.176
Number of employees	48	51	41	40	39

Financial Highlights

	Group				
	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Ratios					
Gross margin	37,9%	41,0%	46,6%	49,3%	52,8%
Profit margin	2,8%	7,7%	13,7%	18,8%	20,9%
Return on assets	2,9%	12,4%	17,2%	19,4%	19,1%
Solvency ratio	23,9%	37,0%	39,2%	40,2%	36,0%
Return on equity	10,0%	20,7%	27,4%	38,2%	41,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures 2013-2015 have not been restated.

Management's Review

Key activities

The Company is a holding company of the following wholly owned subsidiaries, which all carry on shipping activities:

- COSCO SHIPPING Lines Denmark A/S, Birkerød, Denmark
- COSCO SHIPPING Lines (Norway), Oslo, Norway (branch)
- COSCO SHIPPING Lines Sweden AB, Stockholm, Sweden

Development in the year

The income statement of the Group for 2018 shows a profit of DKK 2,289,297, and at 31 December 2018 the balance sheet of the Group shows equity of DKK 20,092,693. The profit for the year is affected by the development in special conditions at the markets in which the company operates.

The past year and follow-up on development expectations from last year

It is managements expectation that the Group activities in 2019 will have a positive development and that the general demand for transport and freight rate will increase.

The expectations to the results for 2019 are at the same level as in 2018.

Market risks

Foreign exchange risks

Due to international activities, the Group is exposed to foreign exchange risks in connection with trading in foreign currencies. This risk is especially relevant in relation to the Group's transactions in EUR and USD. No specific measures are taken to hedge these transactions as the risk is assessed to be limited.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Revenue		84.773.020	110.823.491	0	0
Logistics and transport expenses		-39.668.828	-51.421.889	0	0
Other external expenses		-13.009.479	-13.942.020	-141.544	-239.845
Gross profit/loss		32.094.713	45.459.582	-141.544	-239.845
Staff expenses	1	-29.637.331	-36.718.314	0	0
Depreciation and amortisation		-43.252	-197.327	0	0
Other operating expenses		-2.000	-36.512	0	0
Profit/loss before financial income and expenses		2.412.130	8.507.429	-141.544	-239.845
Income from investments in subsidiaries	2	0	0	9.102.900	10.310.000
Financial income	3	5.214.073	2.503.769	45.851	0
Financial expenses	4	-4.501.881	-3.383.798	-43.711	-14.367
Profit/loss before tax		3.124.322	7.627.400	8.963.496	10.055.788
Tax on profit/loss for the year	5	-835.025	-1.855.068	41.552	54.326
Net profit/loss for the year		2.289.297	5.772.332	9.005.048	10.110.114

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	7.000.000
Retained earnings	9.005.048	3.110.114
	9.005.048	10.110.114

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Other fixtures and fittings, tools and equipment		0	219.474	0	0
Leasehold improvements		57.127	74.440	0	0
Property, plant and equipment	6	57.127	293.914	0	0
Investments in subsidiaries	7	0	0	6.711.087	6.711.087
Other receivables	8	520.506	518.293	0	0
Fixed asset investments		520.506	518.293	6.711.087	6.711.087
Fixed assets		577.633	812.207	6.711.087	6.711.087
Trade receivables		290.712	385.914	0	0
Receivables from group enterprises		70.078.269	44.106.093	3.556.382	1.620.050
Other receivables		764.383	1.042.138	290	270
Deferred tax asset	10	833.983	852.347	0	0
Corporation tax		1.162.475	2.149.224	809.059	928.266
Receivables		73.129.822	48.535.716	4.365.731	2.548.586
Cash at bank and in hand		10.435.474	19.483.052	435.186	277.283
Currents assets		83.565.296	68.018.768	4.800.917	2.825.869
Assets		84.142.929	68.830.975	11.512.004	9.536.956

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2018 DKK	2017 DKK	2018 DKK	2017 DKK
Share capital		1.000.000	1.000.000	1.000.000	1.000.000
Retained earnings		19.092.693	17.483.848	10.442.004	1.436.956
Proposed dividend for the year		0	7.000.000	0	7.000.000
Equity	9	20.092.693	25.483.848	11.442.004	9.436.956
Lease obligations		0	199.252	0	0
Trade payables		19.721.984	17.054.514	0	0
Payables to group enterprises		34.161.053	14.680.487	0	0
Corporation tax		804.518	0	0	0
Other payables		9.362.681	11.412.874	70.000	100.000
Short-term debt		64.050.236	43.347.127	70.000	100.000
Debt		64.050.236	43.347.127	70.000	100.000
Liabilities and equity		84.142.929	68.830.975	11.512.004	9.536.956
Contingent assets, liabilities and other financial obligations	13				
Related parties	14				
Accounting Policies	15				

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1.000.000	17.483.848	7.000.000	25.483.848
Exchange adjustments	0	-680.452	0	-680.452
Ordinary dividend paid	0	0	-7.000.000	-7.000.000
Net profit/loss for the year	0	2.289.297	0	2.289.297
Equity at 31 December	1.000.000	19.092.693	0	20.092.693

Parent Company

Equity at 1 January	1.000.000	1.436.956	7.000.000	9.436.956
Ordinary dividend paid	0	0	-7.000.000	-7.000.000
Net profit/loss for the year	0	9.005.048	0	9.005.048
Equity at 31 December	1.000.000	10.442.004	0	11.442.004

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2018 DKK	2017 DKK
Net profit/loss for the year		2.289.297	5.772.332
Adjustments	11	-512.362	2.160.961
Change in working capital	12	5.491.367	10.371.704
Cash flows from operating activities before financial income and expenses		7.268.302	18.304.997
Financial income		5.214.073	2.503.769
Financial expenses		-4.501.879	-3.383.799
Cash flows from ordinary activities		7.980.492	17.424.964
Corporation tax paid		974.609	-3.516.378
Cash flows from operating activities		8.955.101	13.908.586
Purchase of property, plant and equipment		0	-285.143
Fixed asset investments made etc		-2.213	117.232
Sale of property, plant and equipment		191.537	0
Cash flows from investing activities		189.321	-167.911
Reduction of lease obligations		-199.252	199.252
Repayment of payables to group enterprises		-10.992.748	0
Other equity entries		0	273.450
Dividend paid		-7.000.000	-10.000.000
Cash flows from financing activities		-18.192.000	-9.527.298
Change in cash and cash equivalents		-9.047.578	4.213.377
Cash and cash equivalents at 1 January		19.483.052	15.269.675
Cash and cash equivalents at 31 December		10.435.474	19.483.052
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10.435.474	19.483.052
Cash and cash equivalents at 31 December		10.435.474	19.483.052

Notes to the Financial Statements

	Group		Parent Company	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
1 Staff expenses				
Wages and salaries	24.935.317	31.718.179	0	0
Pensions	2.826.656	2.760.519	0	0
Other social security expenses	1.771.827	1.578.408	0	0
Other staff expenses	103.531	661.208	0	0
	29.637.331	36.718.314	0	0
Including remuneration to the Executive Board of:				
	3.625.052	5.278.610	0	0
	3.625.052	5.278.610	0	0
Average number of employees	48	51	0	0
2 Income from investments in subsidiaries				
Dividends from subsidiaries			9.102.900	10.310.000
			9.102.900	10.310.000
3 Financial income				
Interest received from group enterprises	0	0	45.851	0
Other financial income	5.876	2.265	0	0
Exchange gains	5.208.197	2.501.504	0	0
	5.214.073	2.503.769	45.851	0
4 Financial expenses				
Interest paid to group enterprises	0	172	0	0
Other financial expenses	66.953	149.797	5.105	14.367
Exchange loss	4.434.928	3.233.829	38.606	0
	4.501.881	3.383.798	43.711	14.367

Notes to the Financial Statements

5 Tax on profit/loss for the year	Group		Parent Company	
	2018	2017	2018	2017
	DKK	DKK	DKK	DKK
Current tax for the year	776.279	1.875.167	-41.552	-54.326
Deferred tax for the year	58.746	-20.099	0	0
	835.025	1.855.068	-41.552	-54.326

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	1.086.385	1.302.980
Exchange adjustment	-7.999	-2.181
Disposals for the year	-349.027	0
Cost at 31 December	729.359	1.300.799
Impairment losses and depreciation at 1 January	866.911	1.228.539
Exchange adjustment	-7.878	-768
Depreciation for the year	27.353	15.901
Reversal of impairment and depreciation of sold assets	-157.027	0
Impairment losses and depreciation at 31 December	729.359	1.243.672
Carrying amount at 31 December	0	57.127
Depreciated over	5 years	10 years

Notes to the Financial Statements

7 Investments in subsidiaries	Parent Company	
	2018	2017
	DKK	DKK
Cost at 1 January	6.711.087	6.711.087
Carrying amount at 31 December	6.711.087	6.711.087

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
COSCO SHIPPING Lines Denmark A/S	Birkerød, Denmark	DKK 500k	100%	5.983.786	1.422.819
COSCO SHIPPING Lines (Sweden) AB	Göteborg, Sweden	SEK 750k	100%	6.304.793	1.280.052
COSCO SHIPPING Lines (Norway)	Oslo, Norway	NOK 400k	100%	2.745.817	890.245

8 Other fixed asset investments

	Group
	Other receivables DKK
Cost at 1 January	518.293
Exchange adjustment	2.213
Disposals for the year	0
Cost at 31 December	520.506
Carrying amount at 31 December	520.506

9 Equity

The share capital consists of 2,000 shares of a nominal value of DKK 500. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	Group		Parent Company	
	2018	2017	2018	2017
	DKK	DKK	DKK	DKK
10 Deferred tax asset				
Deferred tax asset at 1 January	852.347	1.600.116	0	0
Amounts recognised in the income statement for the year	-58.746	20.099	0	0
Exchange adjustments	40.382	-767.868	0	0
Deferred tax asset at 31 December	833.983	852.347	0	0

	Group	
	2018	2017
	DKK	DKK
11 Cash flow statement - adjustments		
Financial income	-5.214.073	-2.503.769
Financial expenses	4.501.881	3.383.798
Depreciation, amortisation and impairment losses, including losses and gains on sales	45.253	233.839
Tax on profit/loss for the year	835.025	1.855.068
Exchange adjustments	-680.448	-807.975
	-512.362	2.160.961

12 Cash flow statement - change in working capital		
Change in receivables	-25.599.220	1.427.743
Change in trade payables, etc	31.090.587	8.943.961
	5.491.367	10.371.704

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The subsidiary COSCO SHIPPING Lines Sweden AB has given security in assets for own obligations and subsidiary obligations of approx SEK 2.0 mio.

The Group's total lease obligations amount to kDKK 2.113.

The Group's total rent obligations amount to kDKK 2.640.

COSCO SHIPPING Lines Nordic A/S is jointly and severally liable for the corporation tax in other Group enterprises under the joint taxation.

COSCO SHIPPING Lines Nordic A/S has guaranteed for all debt to the bank in COSCO SHIPPING Lines Denmark A/S.

14 Related parties

Consolidated Financial Statements

The Company is included in the Group Annual Report of

Name	Place of registered office
COSCO Container Lines Europe GmbH	Herrengraben 24, D-20459, Hamburg, Germany

The Group Annual Report of COSCO Container Lines Europe GmbH may be obtained at the following address:

Herrengraben 24,
20459, Hamburg,
Germany

Notes to the Financial Statements

15 Accounting Policies

Consolidated and Parent Company Financial Statements of COSCO SHIPPING Lines Nordic A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, COSCO SHIPPING Lines Nordic A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of transport and services is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Logistics and transport expenses

Logistics and transport expenses comprise consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation and depreciation

Amortisation and depreciation comprise amortisation and depreciation of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

15 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

EDB	3 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Notes to the Financial Statements

15 Accounting Policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$